



TEXAS CIVIL COMMITMENT OFFICE

MARSHA MCLANE
EXECUTIVE DIRECTOR

October 23, 2017

TO: The Honorable Gregg Abbott, Governor
Ms. Ursula Parks, Director, Legislative Budget Board
Mr. Ken Levine, Director, Sunset Advisory Commission
Ms. Lisa Collier, CPA, CFE, CIDA, First Assistant State Auditor

Dear Ladies and Gentlemen,

In accordance with Texas Government Code Section 2102.009, I am submitting to you the annual report on the activities of the Internal Audit Department of the Texas Civil Commitment Office for fiscal year 2017. The report provides the content as prescribed by the State Auditor's Office.

The information in this report is intended to assist state decision makers in their efforts to improve accountability and increase the effectiveness and efficiency of state government. I appreciate the opportunity to participate in this program. If you need any additional information, please do not hesitate to contact me at (512) 834-4595.

Sincerely,

Scott Hornung, CPA
Internal Auditor

xc: Members, Board of Texas Civil Commitment Office
Marsha McLane, TCCO Executive Director

Texas Civil Commitment Office
Internal Audit Annual Report for Fiscal Year 2017
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I. Compliance with Texas Government Code, Section 2102.015

Texas Government Code, Section 2102.015 requires state agencies, as defined in the statute, to post certain information on Internet Web sites. The Texas Civil Commitment Office's Internal Audit will follow the following procedures to ensure compliance with posting requirements.

Texas Government Code, Section 2102.015(b) (1) requires posting of the agency's approved internal audit plan within 30-days of approval. In accordance with Texas Government Code, Section 2102.008, the annual audit plan developed by the internal auditor must be approved by the state agency's governing board.

The fiscal year 2018 Internal Audit Plan was presented to and approved by the Board of the Texas Civil Commitment Office at the June 28, 2017 meeting. The plan was posted to the agency's web site the following week.

Texas Government Code, Section 2102.015(b) (2) requires posting of the agency's Internal Audit Annual Report. Texas Government Code, Section 2102.009 requires the internal auditor to prepare an annual report and submit the report before November 1 of each year to the governor, the Legislative Budget Board, the Sunset Advisory Commission, the state auditor, the state agency's governing board, and the administrator. The state auditor prescribes the form and content of the report, subject to the approval of the legislative audit committee.

This annual report has been presented to the Board of the Texas Civil Commitment Office and the agency's executive administration. Upon approval from the board chairman the report will be distributed as required and posted to the agency's web site.

Texas Government Code, Sections 2102.015(d) and (e) requires agencies to update the posting with:

- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report; and,
- A summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.

No weaknesses, deficiencies, wrongdoings, or others concerns were identified while preparing the risk assessment to develop the fiscal year 2018 audit plan.

II. Internal Audit Plan for Fiscal Year 2017**Audit number:** 1701**Report title:** Data Reliability of the Corrections Software Solutions Database**Report date:** October 10, 2017**Status:** Completed. The final report was in the review process with management at the end of fiscal year 2017. It is included in this report as it was finalized and distributed the Texas Civil Commitment Office Board prior to submission of this report.**Deviations from the fiscal year 2017 audit plan:**

There was no deviation from the fiscal year 2017 audit plan; however, the audit plan submitted identified this audit with the title, "Littlefield Case Management". At the conclusion of initial testing it was decided to rename the project to ensure the title better reflected the scope and objectives of the audit.

III. Consulting Services and Nonaudit Services Completed

No consulting services or nonaudit services were performed in fiscal year 2017.

IV. External Quality Assurance Review

No external quality assurance review has been conducted of the Texas Civil Commitment Office's Internal Audit. As the Internal Audit Department was established in fiscal year 2016, and external quality assurance review will be scheduled in fiscal year 2019.

V. Internal Audit Plan for Fiscal Year 2018

Audit: 1801

Title: Correct Care Recovery Solutions (CCRS) Monthly Billing

Budget: 250 hours

Addresses: Contract Management

The Texas Civil Commitment Office (TCCO) contracts for the Supervision, Treatment, and Healthcare of sexually violent predators who have been civilly committed and assigned to the Texas Civil Commitment Center (TCCC) facility in Littlefield. The CCRS contract provides a multi-tiered billing structure with three per diem rates for housing/supervision, treatment and healthcare services plus reimbursement for additional services, such as transportation. In addition, the Office may adjust the contractor's invoice for such things as vacant positions, overtime credit, compliance assessments, background checks, disallowed costs and revenue generated

Correct Care Recovery Solutions submits a monthly invoice to TCCO along with required monthly reports and supporting schedules. The TCCO reviews the invoice, reports and schedules for accuracy and ensures documentation is sufficient to support the invoice amount. If discrepancies are identified the vendor is notified and, if needed, provides additional support or corrects the invoice. Upon completion of the review, the invoice is approved and payment is authorized. In accordance with the Prompt Payment Act, payment must be made within 30-days of receipt of the invoice.

Correct Care Recovery Solutions retains the underlying supporting documentation and systems that provide the basis for the monthly invoice, reports and schedules. These include employee time sheets, payroll records, client census tracking systems, vehicle mileage logs, revenue payments from subcontractors, provider medical expense invoices and other records/systems. Management has requested and we have scheduled a review of the underlying supporting documentation and systems used by CCRS to prepare the monthly invoice, reports and schedules to determine the reliability of the monthly CCRS invoice, reports and schedules submitted to TCCO as required in our TCCC contract.

Audit 1802

Title: Healthcare Costs

Budget: 150 hours

Addresses: Contract Management

Included in the Texas Civil Commitment Center contract are basic level healthcare services that provide on-site primary healthcare and pharmaceutical services. If offsite services are necessary, the contractor is responsible for scheduling the service and paying the first \$25,000 in offsite specialty care costs per client per year. The contractor is reimbursed for offsite services that exceed the \$25,000 cap.

The client population at the Texas Civil Commitment has an average age of over 50 and contains many individuals with significant medical needs. These needs include chronic diseases such as cancer, diabetes, liver and kidney disease, and hepatitis-c that must be treated. In addition, the contractor must, to the extent possible, control the costs for these treatments and medications.

Healthcare accounts for just over 20% of the total contract. This funding helps ensure the indigent care system in the rural county does not incur the healthcare costs of civilly committed individuals. The contractor includes in their monthly billing a reimbursement request for expenditures that exceed the \$25,000 cap. Management requested and we scheduled this audit to: (1) determine the reliability of the contractor's reimbursement request for health care costs exceeding the \$25,000 cap per client; and, (2) determine whether the client population has appropriate access to offsite specialty care.

Additional Risks ranked as “high” identified, but not included on the fiscal year 2017 audit plan.

No areas identified as high risk were excluded from the fiscal year 2017 audit plan.

Description of the Risk Assessment Process

The Risk Assessment was conducted in two steps. First, a global internal control evaluation was performed for the entire entity. This was appropriate because: (1) The agency is small (There are currently 26 full-time employees and a fiscal year 2018 budget of just under \$14,000,000. Approximately 75% of the budget is encumbered for one contract.); and, (2) The agency is tasked in statute with two overlapping objectives, to provide supervision and treatment to their clients.

The second step was to complete a risk response planning worksheet for the individual activities. This worksheet evaluated management's risk responses and assessed the residual risk. The results from this second step were compiled to identify those areas with highest residual risk to be included on the audit plan.

Internal Control Evaluation

The internal control evaluation was based on the Committee of Sponsoring Organizations (COSO) Internal Control Integrated Framework. A questionnaire was developed utilizing the five control components and 17 associated principles. Managers and various staff were interviewed and the results were compiled on a questionnaire and a conclusion was drawn regarding the effectiveness of the system of internal controls.

Risk Response Planning Worksheet

A worksheet was completed for each activity identified during the internal control evaluation. Threats to each process were identified and judgments were made regarding the inherent risk and the impact of the threat occurring. The control processes management implemented for each of the activities were listed. Judgments were made regarding both the effectiveness of the control processes to reduce risk and the residual risk.

The residual risks were presented as threats to the COSO control objectives of operational objectives, reporting objectives, and compliance objectives. These residual risks would provide the basis for audit objectives for audits included on the proposed audit plan.

VI. External Audit Services Procured in Fiscal Year 2017

No external audit services were procured in fiscal year 2017.

VII. Reporting Suspected Fraud and Abuse

Fraud Reporting: Article IX, Section 7.09 (a), the General Appropriations Act (84th Legislature)

This section of the Appropriations Act states:

Sec. 7.09. Fraud Reporting. A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds as follows:

- (a) By providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and
 - **To implement (a) of Section 7.09, the Texas Civil Commitment Office has:**
 - Included a link on the Texas Civil Commitment Office website to the State Auditor's Fraud Reporting hotline.
 - Included a link on the Texas Civil Commitment Office website to the Health and Human Services Commission Office of the Inspector General to report fraud, waste, and abuse
- (b) By including in the agency or institution's policies information on how to report suspected fraud involving state funds to the State Auditor's Office.
 - **To implement (b) of Section 7.09, the Texas Civil Commitment Office has:**
 - Included in Policy 1.10, *Texas Civil Commitment Office Ethics Policy*, section II.B, which provides instructions for employees to report any conduct he or she believes to be in violation of the ethics policy to the Executive Director or Executive Director's designee, and to report suspected fraud, waste, or abuse involving state funds to the State Auditor's Office via phone to the State Auditor's Office Fraud Hotline 1-800-TX-AUDIT or online at <https://sao.fraud.texas.gov/ReportFraud/>.

Texas Government Code, Section 321.022

This section of the Texas Government Code states:

COORDINATION OF INVESTIGATIONS.

- (a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation

of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.

- (b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.
- (c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.
 - **To implement this statute**, Policy 1.10, *Texas Civil Commitment Office Ethics Policy*, section II.C requires the Executive Director to report the reason and basis for any suspected misuse of state monies to the state auditor. As of the date of this report, the TCCO has not received any reports of loss, fraud, misuse, or other fraudulent or unlawful activities.